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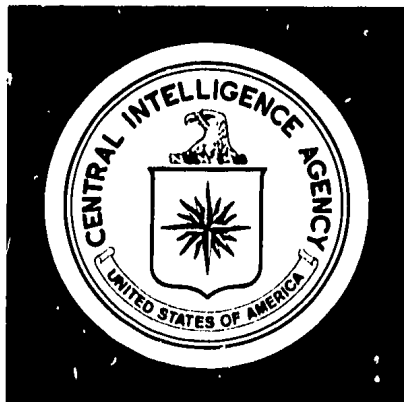
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Intelligence Memorandum

Foreign Reaction to the President's Energy Message

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May 1973

**Foreign Reaction
to the President's
Energy Message**

The President's energy message received, on balance, a favorable worldwide response. Nevertheless, some oil producing and consuming countries have expressed reservations, and several important capitals have yet to comment.

There has been surprisingly little official reaction to the President's energy message in the major oil producing countries. The Arab silence probably reflects both the absence of references to the Middle East in the message and the long gestation period needed by some countries there before an official position surfaces.

- Official Middle East reaction has been limited to Iran and Kuwait, with Iranian officials welcoming the removal of US import quotas and the reduction of most Western Hemisphere preferences and Kuwaiti officials predicting that the new US program would have little impact on Kuwait.
- Many Middle East newspapers urged that oil be used as a lever to change US policy toward Israel. The Saudi Arabian press chose to link the President's message to Petroleum Minister Yamani's warning that increased Saudi production depends on a change in US Middle East policy. Yamani's comments were enthusiastically endorsed by other Middle East media. Libya, consistently most hostile to US interests, has not yet commented.
- The Arab press has also expressed a belief that the United States would intervene militarily to assure US supplies of Middle East oil. In Lebanon, this theme is finding a receptive audience among some normally pro-US officials and businessmen.
- The only official Canadian reaction thus far has been a statement that the quota removal will have no immediate effect on Canadian crude oil exports. There is fear in the Maritime Provinces, however, that US development of deep-water ports could jeopardize refinery construction in Nova Scotia and Newfoundland.

Note: Comments and queries regarding this publication are welcomed.

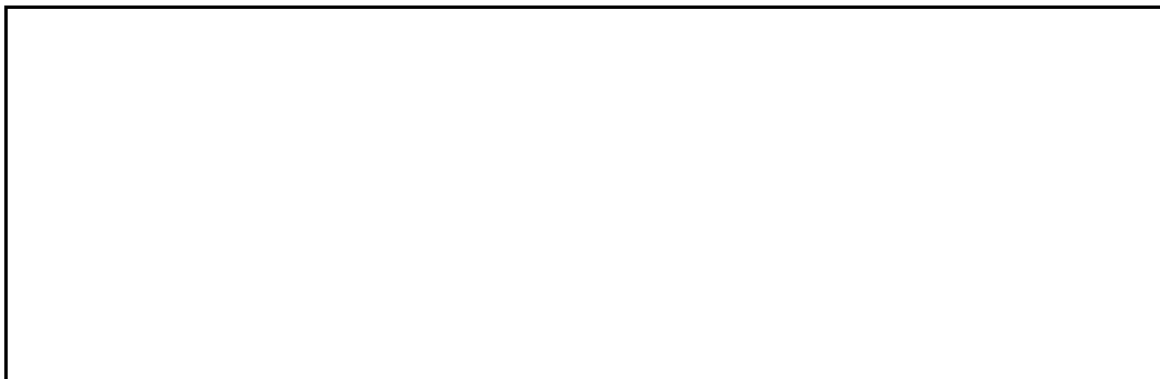
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Foreign reaction among major energy importers has been generally favorable.

- Officials and press in the consuming nations realize that the President's first concern is ending the short-term energy pressures at home, but they also found evidence of a US desire for international cooperation.
- The reference to resource conservation pleased those concerned about the limited supply of an asset controlled by a small number of countries.

Some points raised by the President, however, were less enthusiastically received by the consuming countries.

- There is concern in Europe and Japan that increased US purchases, following the elimination of import quotas, will mean higher prices.
- Tokyo is also worried that increased US oil imports not only will threaten Japanese supply, but, by worsening the US balance of payments, also will produce increased US pressures on Tokyo to reduce its bilateral trade surplus with Washington.

Some consumers intend to use the address as a departure point for further discussions.

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USSR

[] The initial Soviet response - in *Pravda* - took an understanding tone and stressed the importance of international energy cooperation. Moreover, the Soviet press maintained that a "realistic (US) policy" could lead to mutually beneficial long-term Soviet-US trade agreements, to research and information exchanges on energy questions, and to US participation in the development of Siberian oil and gas deposits.

People's Republic of China

[] The PRC presented a factual account of the message on domestic radio, but stressed the severity of the US energy problem and the probability of increasing US reliance on Middle East oil. The Chinese cited not only increasing demand, but also "wanton exploitation and waste of natural resources" as causes of the energy crisis. The expected adverse effect of increased US oil imports on the US balance of payments and Western uneasiness over international competition for Middle East oil were also noted.

Major Consumers

Japan

[] President Nixon's energy message has reinforced Tokyo's fears of a growing rivalry with the United States for crude petroleum supplies. Although encouraged by the President's emphasis on domestic resource development, Tokyo officials are more impressed by the removal of mandatory oil import quotas. The Japanese have become increasingly concerned about acquiring long-term supplies, and some government officials voiced concern over expected US efforts to obtain greater amounts of oil in the Middle East and elsewhere.

[] Japan had already planned to offer economic assistance as an inducement to less developed oil exporting countries, and MITI officials had raised the possibility of joint ventures involving Japanese and US oil firms. MITI Minister Nakasone is currently visiting the Middle East.

[] Prior to President Nixon's energy message, Tokyo had planned to organize a Resource and Energy Bureau within MITI to consolidate responsibility for acquiring sources of oil and other fuels. Now, in addition to this bureau, Prime Minister Tanaka has ordered the creation of a special committee responsible for the national security aspects of the oil situation.

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[] The Japanese media gave extensive coverage to President Nixon's energy message, but commentary generally was cool. While praising the President's initiative in attacking the problem and sponsoring research, several anxieties were addressed. These included the prospect of higher prices and increased US pressures for Japanese trade concessions as increased oil imports weaken the US balance-of-payments position. Another common point of criticism was the lack of concrete proposals for concerted action by oil importing and exporting countries and international oil companies to coordinate the supply of and demand for oil. Asahi noted US silence on relations with the Middle East but attributed it to Arab-Israeli problems. Mainichi saw the President's announcement as presaging intensified rivalry among oil importing countries. Yomiuri expressed petulance over what it saw as the self-serving nature of the new US strategy. On the other hand, several editorials expressly noted the President's advocacy of measures to develop America's own energy resources. The press generally saw Japan's best course of action as including a series of measures to assure the flow of foreign oil, to conserve energy, and to develop domestic energy sources, including nuclear power.

European Community

[] The EC Commission noted that the views expressed in the message were generally in line with EC thinking and did not conflict with a major EC energy memorandum soon to be published. The memorandum will call for closer cooperation among the EC, the United States, and Japan in order to stop competitive bidding for oil and for closer cooperation between the Community and its major suppliers and between member states. The memorandum will propose increased public control over private oil firms and a system of harmonized prices in the Community.

France

[] French government reaction has been generally positive, with a particularly favorable reception given to the President's proposals on conservation and development of domestic resources because it will limit the growth of US demand for Middle East crude. One government spokesman, however, commented that elimination of import quotas was an invitation to a mad scramble for Middle East oil. French energy officials, believing that US policy is flexible, are anxious to discuss detailed technical aspects of the address with their US counterparts. They also have indicated French agreement with the principle of cooperation among consuming countries, but there probably will be important differences if and when implementation of this proposal reaches the negotiating stage.

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[] The French media gave comprehensive coverage to the message, but editorial comment has been somewhat critical. The press highlighted the probability of higher prices resulting from the increased US demand for foreign oil. *Le Monde* predicted that the end of import quotas will permit a rapid solution of the US short-term supply problem and that proposed long-term measures will considerably improve the US security of supply, but the same paper criticized the President for not addressing the problem earlier and not giving enough attention to the international dimension of the energy problem. The independent business journal *Les Echos* saw the timing of the message - while oil negotiations with producers are still in progress - as indicative of the President's determination to get a good deal for the United States.

United Kingdom

[] British government and industrial reaction ranges from understanding to anxiety. The understanding comes from government circles which see a need for a coordinated worldwide energy policy and conservation of resources. The British oil industry, especially British Petroleum, was relieved by the President's continued support of the Trans-Alaska pipeline, but they would have preferred a call for more vigorous and immediate action. Like the French, however, the British government and oil industry expect higher oil import prices because of increased US competition. Some British remain skeptical over the scope of the US proposal for cooperation with other energy consumers and producers.

[] The British press generally welcomed the message as a serious and constructive approach to a problem faced by all developed consuming countries. The *Daily Express* exclaimed that "warning bells have sounded across the Atlantic," and indicated that London should pay greater heed to its own petroleum reserves. On the negative side, the *Daily Mail* expressed concern that higher oil prices resulting from the new US policy will strengthen the bargaining power of the Middle East producers. The *Daily Telegraph* was cool to what it read as the President's hint that a consumers' oil union should be formed to deal with the Middle East producers. The *Economist* suggests that, despite the message's lack of references to the Arab oil exporters, the United States is going to be more dependent on Middle East oil than ever.

Italy

[] A senior Italian official claimed that the President's message was not strong enough to initiate any timely solution to the crisis. He saw the call for an international mechanism to deal with energy matters as largely

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a long-term solution that did not deal with the more immediate supply shortage and cost squeeze. Italian officials also feared that the end of US oil quotas would produce shortages in Europe because of increased oil sales to the higher-price US market.

West Germany

[] No official German reaction has yet been noted. **Frankfurter Allgemeine Zeitung** described the US energy crisis at length but referred only briefly and factually to the President's message. **Suddeutsche Zeitung** termed the message a compromise favoring the power sector instead of ecology and favoring free market forces rather than "regimentation of extravagant consumption." Hamburg's **Die Welt** also adopted this theme, doubting that the American people will follow the President's appeal and change their life style. **Handelsblatt** commented that the message attempts to strike a balance among the conflicting interests of US energy producers, environmentalists, and national security that will have significant consequences for European energy markets.

Organization for Economic Cooperation and Development

[] A spokesman for the OECD, currently involved in its own study of the energy crisis, praised the message for its emphasis on the need for international cooperation and said that it answers major OECD questions on the US energy position. The President's proposals probably will be examined by the OECD when its energy committee meets in June to draft a position paper.

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